

PUBLIC DISCLOSURE

June 15, 2015

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

MutualOne Bank
Certificate Number: 26395

160 Cochituate Street
Framingham, Massachusetts 01701

Division of Banks
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Boston, Massachusetts 02118

Federal Deposit Insurance Corporation
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New York, New York 10118

This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the Division of Banks or the Federal Deposit Insurance Corporation concerning the safety and soundness of this financial institution.

TABLE OF CONTENTS

Institution Rating	1
Scope of Evaluation	2
Description of Institution	3
Description of Assessment Area	4
Conclusions on Performance Criteria	7
Discriminatory or Other Illegal Credit Practices Review	16
Appendix A – Division of Banks: Minority Application Flow	17
Appendix B – Glossary	19

INSTITUTION RATING

INSTITUTION'S CRA RATING: This institution is rated **Satisfactory***.

The Lending Test is rated Satisfactory*.

- The average loan-to-deposit (LTD) ratio of 106.3 percent is more than reasonable given the institution's size, financial condition, and assessment area credit needs.
- The bank made a majority (65.2 percent) of home mortgage and small business loans within the assessment area (AA) during the evaluation period.
- The geographic distribution of loans reflects more than reasonable dispersion throughout the assessment area, and specifically low- and moderate-income geographies.
- The distribution of home mortgage and small business loans to borrowers of various income levels and businesses of different sizes is reasonable.
- The institution did not receive any CRA-related complaints during the evaluation period; therefore, this criterion did not impact the Lending Test rating.

The Community Development Test is rated Satisfactory.

- The institution demonstrated adequate responsiveness to community development needs in its assessment area through community development loans, qualified investments, and community development services, considering the institution's capacity and the need and availability of such opportunities throughout the institution's assessment area.

The Massachusetts Division of Banks rated this institution **High Satisfactory for the Lending Test and overall. The FDIC's CRA regulation does not have separate categories within the Satisfactory rating, whereas the Division's CRA regulation allows for either a High Satisfactory or Satisfactory rating.*

SCOPE OF EVALUATION

General Information

This performance evaluation, conducted jointly by the Federal Deposit Insurance Corporation (FDIC) and the Massachusetts Division of Banks (DOB), covers the period from the prior Framingham Co-Operative Bank evaluation, dated April 23, 2012, to the current evaluation dated June 15, 2015. Examiners used Intermediate Small Bank (ISB) procedures established by the Federal Financial Institution Examination Council (FFIEC) to evaluate MutualOne Bank's performance. ISB examination procedures include two tests: the Lending Test and the Community Development Test.

The Lending Test evaluates the bank's performance according to criteria including: LTD ratio, AA concentration, geographic distribution, borrower profile and the bank's response to CRA-related complaints.

The Community Development Test considers the number and dollar amount of community development loans, qualified investments, and community development services as well as the bank's responsiveness to the community development needs of the AA.

Loan Products Reviewed

Home mortgage and small business lending performance were considered as part of this evaluation. Small farm loans were not evaluated as the bank does not originate these loans. Additionally, consumer and other loan types were not considered due to the low volume of originations and the overall low portion of the loan portfolio represented by these loan types.

Examiners evaluated 2013 and 2014 home mortgage lending data as reported on the bank's Home Mortgage Disclosure Act (HMDA) Loan Application Registers (LARs). The bank's 2013 lending performance was compared with aggregate lending data for all HMDA reporting lenders as well as AA demographics. Home mortgage lending in 2014, for which aggregate data is not available for comparison, was compared with AA demographics and analyzed for trends. Year-to-date 2015 lending performance was not considered due to the limited data available for analysis as of the date of this evaluation. In 2013, the bank originated 244 home mortgage loans totaling \$54.1 million, and originated 267 loans totaling \$54.2 million in 2014.

As an ISB, the bank is not required to collect or report small business lending data; however, the bank voluntarily elected to do so during the evaluation period. As a result, examiners evaluated reported small business lending data for 2013 and 2014. Similarly to home mortgage data, small business lending data for 2013 was compared with aggregate small business lending data and Dun & Bradstreet business demographic data, while 2014 performance was compared with Dun & Bradstreet data and considered for trends. In 2013 and 2014, the bank originated 147 and 138 small business loans totaling \$29.2 million and \$26.6 million, respectively.

Home mortgage and small business lending performance received equal weighting in arriving at conclusions and ratings under the Lending Test. Although the bank's portfolio remains weighted in commercial loans, including commercial real estate at 24.0 percent and commercial and

industrial loans at 21.8 percent, the number of residential real estate loans originated during the evaluation period exceeded commercial loan originations. Residential real estate loans, including those secured by 1-4 family and multi-family properties, represented 37.4 percent of the loan portfolio as of March 31, 2015. In addition, examiners considered both the number and dollar volume of home mortgage and small business loan originations; however, an emphasis is placed on the number of loans. Examiners emphasized the number of loans because it is not influenced by factors including applicant income, housing values, or business size, and provides a better overall indicator of the number of businesses or individuals served by the institution.

Community development loans, investments and services made or provided since Framing Co-Operative Bank's prior evaluation dated April 23, 2012, were considered under the Community Development Test.

DESCRIPTION OF INSTITUTION

Background

MutualOne Bank is a Massachusetts state-chartered mutual co-operative bank established July 1, 2012, as a result of the merger between Framingham Co-Operative Bank of Framingham and Natick Federal Savings Bank of Natick. The bank is organized under the charter of the former Framingham Co-Operative Bank. The MutualOne Charitable Foundation, through which donations are made, is the bank's only subsidiary. The bank serves the MetroWest portion of Massachusetts, including the Towns of Framingham, Natick, Ashland, Hopkinton, Holliston, Southborough, and Marlborough.

The prior CRA performance evaluations of both Framingham Co-Operative and Natick Federal Savings Bank resulted in Satisfactory performance ratings. The prior evaluation of Framingham Co-Operative was conducted jointly by the FDIC and the DOB using ISB procedures. The Natick Federal Savings Bank evaluation was conducted by the Office of Thrift Supervision using Small Bank procedures as of June 22, 2009.

Operations

MutualOne Bank operates three full-service branches including two branches of the former Framingham Co-Operative Bank in Framingham, and the former Natick Federal Savings branch in Natick. The bank maintains separate administrative headquarters in Framingham.

MutualOne Bank offers a variety of deposit and loan products and services for businesses and individuals. Deposit products include checking, savings, money market, individual retirement accounts, and certificates of deposit. Loan products include consumer, home mortgage and home equity, and business loans including commercial real estate. Additional services offered by the bank include debit cards, online bill-pay, business remote deposit, and safe deposit boxes.

Ability and Capacity

As of March 31, 2015, the bank had total assets of \$597.2 million including total loans of \$511 million. Commercial loans, including commercial real estate and commercial and industrial loans, account for the largest portion of the loan portfolio at a combined 45.8 percent.

Loan Portfolio Distribution as of March 31, 2015		
Loan Category	\$(000s)	%
Construction and Land Development	80,302	15.7
Secured by Farmland	0	0.0
1-4 Family Residential	137,488	26.9
Multi-family (5 or more) Residential	53,769	10.5
Commercial Real Estate	122,415	24.0
Total Real Estate Loans	393,974	77.1
Commercial and Industrial	111,614	21.8
Agricultural	0	0.0
Consumer	5,951	1.2
Other	17	0.0
Less: Unearned Income	(521)	(0.1)
Total Loans	511,035	100.0
<i>Source: Consolidated Reports of Condition and Income as of March 31, 2015</i>		

Examiners did not identify any financial or legal impediments that would limit or impede the bank's ability to meet the credit needs of its community.

DESCRIPTION OF ASSESSMENT AREA

The CRA requires each financial institution to designate one or more assessment area(s) within which it will focus its lending efforts and its CRA performance will be evaluated. MutualOne Bank has designated a single, contiguous AA which includes 38 census tracts (CTs), including 36 CTs located in the Cambridge-Newton-Framingham, MA Metropolitan Division (MD) (15764) and 2 CTs located in the Worcester, MA Metropolitan Statistical Area (MSA) (49340). The bank does not operate any branches in MSA #49340.

Economic and Demographic Data

The bank's AA includes 38 CTs representing the Towns of Framingham, Natick, Ashland, Hopkinton, Holliston, Southborough, and Marlborough. As of the date of the evaluation, the AA contains 1 low-income, 5 moderate-income, 14 middle-income and 18 upper-income CTs; however, there were several changes as a result of revised Office of Management and Budget (OMB) delineations of MSAs and MDs that went into effect in 2014. Prior to these changes, the AA included 1 low-income, 6 moderate-income, 19 middle-income and 12 upper-income CTs. The following table illustrates key demographic information for the AA.

Demographic Information of the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	38	2.6	13.2	36.8	47.4	0.0
Population by Geography	194,655	2.5	14.2	38.2	45.1	0.0
Housing Units by Geography	77,940	2.2	14.8	40.4	42.6	0.0
Owner-Occupied Units by Geography	51,868	0.5	7.9	39.8	51.8	0.0
Businesses by Geography	17,977	0.9	13.1	33.9	52.1	0.0
Family Distribution by Income Level	49,572	18.2	14.0	19.4	48.4	0.0
Median Family Income Cambridge-Newton-Framingham, MA MD (15764) Worcester, MA MSA (49340) FFIEC-Estimated Median Family Income for 2014 Cambridge-Newton-Framingham, MA MD (15764) Worcester, MA MSA (49340)		\$90,625 \$77,128 \$93,300 \$77,900	Median Housing Value Median Gross Rent Families Below Poverty Level			\$395,018 \$1,048 6.8%

Source: 2010 U.S. Census, 2014 D&B Data, and FFIEC-Estimated Median Family Income; () The NA category consists of geographies that have not been assigned an income classification.*

Based on 2010 U.S. Census data the AA has a total population of 194,655, including 49,572 families. The FFIEC-estimated median family income (MFI), as illustrated in the following table, was used to determine low-, moderate-, middle-, and upper-income designations for individuals and geographies within the AA. Previously noted revisions to the OMB delineations of MSAs and MDs resulted in a decline in the estimated MFIs.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
Cambridge-Newton-Framingham, MA MD Median Family Income (\$00,000)				
2013 (\$101,000)	<\$50,500	\$50,500 to <\$80,800	\$80,800 to <\$121,200	≥\$121,200
2014 (\$93,300)	<\$46,650	\$46,650 to <\$74,640	\$74,640 to <\$111,960	≥\$111,960
Worcester, MA MSA Median Family Income (\$00,000)				
2013 (\$81,300)	<\$40,650	\$40,650 to <\$65,040	\$65,040 to <\$97,560	≥\$97,560
2014 (\$77,900)	<\$38,950	\$38,950 to <\$62,320	\$62,320 to <\$93,480	≥\$93,480

Source: FFIEC

The AA includes 77,940 housing units, of which 51,868 are owner-occupied, with a weighted average median value of \$395,038. Additionally, there are a total of 22,527 rental units with a median gross rent of \$1,048.

High housing prices are generally supported by strong employment. Data from the U.S. Bureau of Labor Statistics revealed the bank's AA as having among the lowest unemployment rate in the State of Massachusetts as of October 2014. The unemployment rate as of October 2014 was 4.1 percent in Framingham, compared to 5.1 percent for the state and 5.5 percent nationwide.

Competition

The bank operates in a highly competitive market for credit and financial services. FDIC Deposit Market Share data as of June 30, 2014, reveals 145 financial institutions operating 1,540 branch offices within the Cambridge-Newton-Framingham, MA MD. The five institutions with the largest share of deposits accounted for 71.2 percent of total deposit market share.

Aggregate home mortgage data for 2013 shows a total of 353 lenders originated 11,393 home mortgage loans within the bank's AA. MutualOne Bank ranked 11th with a total market share of 2.1 percent. The top ten lenders included large national and regional banks as well as mortgage companies.

Aggregate small business lending data for 2013 shows a total of 113 lenders originated 38,459 small business loans in the counties in which the bank designated its AA. Due to limitations, the aggregate market share data is reflected at the county level. The bank ranked 35th overall, with a total market share of 0.3 percent by number of loans and 1.3 percent by dollar. The top five lenders include large national institutions that offer business credit cards. These institutions collectively accounted for 56.6 percent by number but only 13.6 percent by dollar volume of total market share.

Community Contact

As part of the performance evaluation, examiners contact third-party organizations engaged in community and economic development to aid in identifying the credit needs and availability within the community. Examiners conducted one such community contact with a non-profit economic development organization serving a portion of the bank's AA. The organization is focused on business development and housing needs.

The community contact indicated positive trends in local economic conditions and did not perceive any deficiencies in the availability of credit to low- and moderate-income individuals. The contact identified the need for additional affordable housing and first-time homebuyer (FTHB) programs to support economic expansion and increased employment in the area.

Credit and Community Development Needs and Opportunities

Examiners considered information gathered from the community contact, the bank, and available economic data to determine the primary credit needs of the AA. Positively, both the bank and the community contact indicated generally strong economic conditions within the AA; however, a need for affordable housing was identified. Economic data for the AA supports this assessment of credit and community development needs in the AA. Median housing values within the AA of more than \$395,000 make home ownership difficult for low-and moderate-income borrowers despite estimated MFI above national levels.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

MutualOne Bank demonstrated reasonable performance under the Lending Test. The bank's assessment area concentration and borrower profile performance provide primary support for this conclusion.

Loan-to-Deposit Ratio

MutualOne Bank's average LTD ratio is more than reasonable given the institution's size and financial conditions and the economic conditions and credit needs of the AA. The ratio, calculated from Call Report data, over the prior 13 calendar quarters from March 31, 2012 to March 31, 2015, averaged 106.3 percent. This analysis includes a comparison to the ratios of similarly situated institutions. Examiners selected these institutions based on total assets, loan portfolio composition, and geographic location. The following table shows that MutualOne Bank's average net LTD ratio was toward the high-end of the range of 59.1 percent to 112.6 percent.

Loan-to-Deposit Ratio Comparison		
Bank Name	Total Assets as of March 31, 2015 \$(000s)	Average Net LTD Ratio (%)
MutualOne Bank	\$597,165	106.3
Stoneham Bank	\$475,139	112.6
Eagle Bank	\$426,705	85.6
North Middlesex Savings Bank	\$383,808	59.1
<i>Source: Consolidated Reports of Condition and Income</i>		

Assessment Area Concentration

The bank originated a majority of its home mortgage loans by number inside the assessment area, but a majority of its small business loans outside the assessment area during the evaluation period.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollars Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Home Mortgage										
2013	244	75.1	81	24.9	325	22,829	42.2	31,277	57.8	54,106
2014	267	68.6	122	31.4	389	20,356	37.6	33,838	62.4	54,194
Subtotal	511	71.6	203	28.4	714	43,185	39.9	65,115	60.1	108,300
Small Business										
2013	77	50.0	77	50.0	154	12,789	41.9	17,702	58.1	30,491
2014	68	49.3	70	50.7	138	9,010	33.9	17,607	65.9	26,617
Subtotal	145	49.7	147	50.3	292	21,799	38.2	35,309	61.8	57,108
Total	656	65.2	350	34.8	1,006	64,984	39.3	100,424	60.7	165,408
Source: 2013 and 2014 HMDA and CRA Small Business Data										

Home Mortgage Loans

The bank consistently originated a majority of its home mortgage loans inside its AA; however, less than a majority by dollar volume is outside the AA.

Small Business Loans

The bank originated exactly half of its small business loans inside the AA in 2013, and slightly less than half in 2014. A majority of small business loans, by dollar volume, were outside the assessment area. This level of lending inside the AA reflects a significant increase over the 35.7 percent noted during the prior CRA evaluation of Framingham Co-Operative Bank.

Management has actively worked to identify business credit needs and designed loan products to meet those needs in the AA.

Geographic Distribution

The geographic distribution of home mortgage and small business loans reflects more than reasonable dispersion throughout the AA. Examiners emphasized home mortgage and small business lending in low- and moderate-income geographies. The bank's home mortgage and small business lending performance exceeded aggregate lending and the percentage of owner-occupied housing units and percent of businesses, respectively, within low- and moderate-income geographies.

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects more than reasonable dispersion throughout the AA, particularly in low- and moderate-income CTs. As detailed in the following table, the bank's lending within low- and moderate-income CTs exceeds both aggregate lending performance and the percentage of owner-occupied housing inventory within these geographies. Market share data further support the bank's more than reasonable performance. Specifically, market share reports for 2013 indicate that the bank ranked 2nd in lending in low-income geographies and 5th in moderate-income geographies. The bank demonstrated consistent performance in 2014.

Geographic Distribution of Home Mortgage Loans						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2013	0.5	0.4	3	1.2	303	1.3
2014	0.5	--	3	1.1	79	0.4
Moderate						
2013	9.1	7.1	31	12.7	4,286	18.8
2014	7.9	--	34	12.8	3,098	15.2
Middle						
2013	55.8	54.1	159	65.2	16,526	72.4
2014	39.8	--	90	33.7	6,748	33.2
Upper						
2013	34.6	38.4	51	20.9	1,714	7.5
2014	51.8	--	140	52.4	10,431	51.2
Totals						
2013	100.0	100.0	244	100.0	22,829	100.0
2014	100.0	--	267	100.0	20,356	100.0
<i>Source: 2010 U.S. Census; 2013 and 2014, HMDA Reported Data; 2013 Aggregate Data; "--" data not available</i>						

Small Business Loans

The geographic distribution of small business loans reflects excellent dispersion. As shown in the following table, the bank's lending performance in low- and moderate-income CTs significantly exceeded both the percentage of businesses located within those geographies and aggregate lending performance. These comparisons reflect excellent performance.

Geographic Distribution of Small Business Loans						
Tract Income Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2013	0.9	1.3	4	5.2	955	7.5
2014	0.9	--	4	5.9	258	2.9
Moderate						
2013	15.8	12.0	27	35.0	4,111	32.1
2014	13.1	--	21	30.9	1,776	19.7
Middle						
2013	53.1	52.6	29	37.7	4,935	38.6
2014	33.9	--	17	25.0	2,097	23.3
Upper						
2013	30.2	34.1	17	22.1	2,789	21.8
2014	52.1	--	26	38.2	4,897	54.1
Total						
2013	100.0	100.0	77	100.0	12,789	100.0
2014	100.0	--	68	100.0	9,010	100.0
<i>Source: 2013-2014 D&B Data; 2013 & 2014 CRA Reported Data; 2013 CRA Aggregate Data; "--" data not available</i>						

Borrower Profile

The distribution of borrowers reflects reasonable penetration of loans to borrowers of different income levels and businesses of different sizes. Examiners emphasized the bank's record of home mortgage lending to low- and moderate-income borrowers and small business lending to businesses with GARs of \$1 million or less.

Home Mortgage Loans

The distribution of home mortgage loans to borrowers of different income levels is reasonable. In terms of lending to low-income borrowers, the bank exceeded aggregate data, and achieved a market share rank of 2nd. Lending to moderate-income borrowers was consistent with aggregate lending and the percentage of moderate-income families. Additionally, the bank continues to expand first-time homebuyer (FTHB) and partnerships to provide affordable mortgage programs to low- and moderate-income borrowers, which feature low down payments as well as down payment and closing cost assistance. Mortgage programs implemented within the last year include the Federal Home Loan Bank's (FHLB's) Equity Builder, MassHousing Finance Agency, and Fannie Mae's 97.0 percent loan-to-value (LTV) FTHB program. While the bank's performance of lending to low-income borrowers decreased in 2014, its performance of lending to moderate-income borrowers was consistent with 2013 levels.

Distribution of Home Mortgage Loans by Borrower Income Level						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2013	19.8	5.9	24	9.8	503	2.2
2014	18.2	--	17	6.4	814	4.0
Moderate						
2013	15.3	16.1	40	16.4	820	3.6
2014	14.0	--	42	15.7	1,862	9.2
Middle						
2013	20.8	24.9	61	25.0	954	4.2
2014	19.4	--	73	27.3	2,380	11.7
Upper						
2013	44.1	41.8	89	36.5	5,605	24.5
2014	48.4	--	118	44.2	7,288	35.7
Income Not Available						
2013	0.0	11.3	30	12.3	14,947	65.5
2014	0.0	--	17	6.4	8,012	39.4
Total						
2013	100.0	100.0	244	100.0	22,829	100.0
2014	100.0	--	267	100.0	20,356	100.0
<i>Source: 2010 U.S. Census; 2013 & 2014 HMDA Reported Data; 2013 HMDA Aggregate Data; "--" data not available</i>						

Small Business Loans

The distribution of small business loans reflects reasonable penetration to businesses with GARs of \$1 million or less. As shown in the following table, the percentage of loans to businesses with GARs of \$1 million or less is consistent with aggregate lending to businesses in this revenue category. In addition, the bank's level of lending to small businesses was consistent during the review period.

Distribution of Small Business Loans by Gross Annual Revenue Category						
Gross Annual Revenues	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
≤ \$1,000,000						
2013	71.4	49.9	36	46.7	5,744	44.9
2014	70.7	--	35	51.5	4,417	49.0
> \$1,000,000						
2013	5.5	50.1*	19	24.7	5,207	40.7
2014	6.1	--	18	26.5	3,636	40.4
Revenue Not Available						
2013	23.1	--	22	28.6	1,838	14.4
2014	23.2	--	15	22.0	957	10.6
Total						
2013	100.0	100.0	77	100.0	12,789	100.0
2014	100.0	--	68	100.0	9,010	100.0
Source: 2013-2014 D&B Data; 2013 & 2014 CRA Reported Data; 2013 CRA Aggregate Data; "--" data not available; *Includes Revenue Not Available						

Response to Complaints

The bank did not receive any CRA-related complaints during the evaluation period; therefore, this criterion did not impact the Lending Test or overall CRA ratings.

COMMUNITY DEVELOPMENT TEST

MutualOne Bank demonstrated adequate responsiveness to the community development needs of its AA through community development loans, qualified investments, and community development services, as appropriate, considering the institution's capacity and the need and availability of such opportunities in the institution's AA.

Community Development Loans

The bank originated six community development loans totaling approximately \$3.9 million since the April 23, 2012 CRA evaluation. This is an increase by number and dollar volume from the previous evaluation period, during which the bank originated one community development loan totaling \$2.2 million. Of the six community development loans, five had a primary purpose of affordable housing, specifically addressing a community development need identified by the community contact. While three community development loans totaling \$2.42 million, do not directly benefit the bank's AA, we consider these loans as the bank has been responsive to the community development needs of its AA overall. Two of these loans have a primary purpose of creating affordable housing, and one loan has a primary purpose of revitalizing and stabilizing an underserved middle-income tract. Overall, the bank's level of activity represents 0.7 percent of total assets and 0.8 percent of total loans as of March 31, 2015. The following table illustrates the bank's community development lending activity by year and purpose.

Community Development Loans												
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Neighborhood Stabilization		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2013	2	471	0	0	0	0	0	0	0	0	2	471
2014	1	963	0	0	0	0	1	1,520	0	0	1	2,483
2015	2	900	0	0	0	0	0	0	0	0	3	900
Total	5	2,334	0	0	0	0	1	1,520	0	0	6	3,854

Source: Bank Records

The following are examples of the bank's qualified community development loans:

- In 2015, the bank originated two loans totaling \$2.7 million for the construction of nine residential units in Acton, of which three are designated as affordable housing for low- or moderate-income individuals or families. The state's 40(B) program requires the designation of a portion of the project as affordable housing. The pro rata share of the loans qualified as community development is \$900,000.
- In 2014, the bank led a participation loan for the acquisition of a mixed-use complex located in the FFIEC-designated underserved area of Nantucket. The complex is composed of seven standalone buildings known as "Candlewick Corner." The bank's portion of the loan is \$1.52 million.

- In 2013, the bank originated a \$289,200 loan for five-unit rental property located in Framingham. All five units are rented below the HUD fair market rent amount, and are considered affordable housing.

Qualified Investments

MutualOne Bank made 76 qualified donations totaling \$391,200 during the evaluation period. In addition, the bank holds a qualified equity investment made in 2004, which has a book value of \$500,000. The qualified equity investment total represents less than one-tenth of one percent of total assets and 1.2 percent of total securities as of March 31, 2015.

The bank targeted its qualified donations to organizations that provide affordable housing or services to low- and moderate-income individuals or families. The following table illustrates the bank's community development investments by year and purpose.

Qualified Investments						
Activity Year	Affordable Housing		Community Services		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	1	500	0	0	1	500
4/24/12-12/31/2012	2	7	24	111	26	118
2013	1	3	13	74	14	77
2014	2	4	22	129	24	133
YTD 2015	0	0	12	63	12	63
Total	6	515	71	377	77	891
<i>Source: Bank Records</i>						

Below are notable examples of the bank's qualified community development investments:

- The bank continues to hold a qualified equity investment made in July 2004, in the Access Capital Strategies Community Investment Fund, Inc., a SEC-registered fund structured as a business development company. As of March 31, 2015, the book value of the investment was \$500,000. The primary purpose of the fund is to invest in private placement debt securities designed to support community development activities, such as affordable housing, education, and small business lending targeted to low- and moderate-income geographies specified by the investing institution.
- *Project Just Because* is an organization that provides basic necessities to low- and moderate-income residents in the MetroWest area. The bank's donation allowed the organization to operate programs such as a food pantry and back-to-school assistance for children in need.
- The bank made a donation to the *Jewish Community Housing for the Elderly*, an affordable independent housing community in Framingham. A majority of its 1,500 residents are low-income.

- The bank contributed to *MetroWest Legal Services* (MWLS), an organization that provides legal advocacy to protect and advance the rights of the poor, elderly, disabled, and other disenfranchised people in their service area and assists them in obtaining legal, social, and economic justice. MWLS help their clients secure access to basic needs and challenge institutional barriers in order to achieve equal justice for all. The majority of MWLS's clients are low- or moderate-income individuals and families.

Community Development Services

The bank responded to several of the area's community development needs by providing qualified services. Bank employees provide technical and financial expertise to a variety of organizations that have community development as their primary purpose. During the evaluation period, bank employees provided seven instances of financial expertise or technical assistance to seven different community development-related organizations in the AA.

Bank Employee and Director Involvement

During the evaluation period, officers and employees of the bank were involved in organizations in various capacities that represented a community development purpose. Bank personnel and Directors provided these organizations with financial expertise in a variety of roles. The following descriptions represent all community development services provided during the evaluation period.

- A Board member provides financial expertise on the Board of *Advocates, Inc.* This organization is dedicated to serving the needs of the mentally, physically, and socially disabled population in the Framingham region by providing a variety of social services including financial and residential assistance. The organization primarily serves low- and moderate-income individuals.
- A Board member provides money management assistance to low-income elders at *BayPath Elder Services, Inc.* The money management program is dedicated to promoting the financial well-being of low-income elders, and provides support for elders who have difficulty managing day-to-day finances.
- A Board member serves on the Advisory Board of the *United Way of Tri-County*. This chapter of the United Way serves the bank's AA by raising funds, connecting volunteers, and meeting the critical needs of the community. This organization funds programs such as after school programs, affordable day care, job training, transportation for the elderly and basic needs such as food and shelter. A majority of individuals served by this organization are of low- or moderate-income.
- A bank employee serves on the Board of Trustees of the *Bethany Hill School of Framingham*. This is an educational housing program for low-income adults and children, which is sponsored by the Sisters of St. Joseph of Boston. This organization also serves households that have experienced homelessness, addiction, violence and loss by providing for basic needs in the form of safe and affordable housing.

- A bank employee serves on the Board of Directors of *Family Promise of MetroWest*. This organization is a cooperative, interfaith partnership offering assistance to homeless families with children through safe transitional shelter, meals, and supportive case management as they seek permanent housing.
- A bank officer serves on the Fundraising Committee of the *MetroWest ESL Program*. This organization provides English as a Second Language classes to disadvantaged individuals from the Framingham region. Additionally, this organization offers GED and citizenship preparation courses. A majority of clients are low- or moderate-income.

Financial Literacy and Educational Services

- A bank officer made a presentation to parents of Framingham High School students covering a wide range of financial topics as a part of the Resiliency for Life Program. This program is dedicated to serving the needs of the at-risk population in Framingham with individualized development programs including financial literacy training. Approximately 80 percent of those participating in this program are low-income.

Other Services

The bank also provided the following services that have community development purposes.

- The bank currently volunteers to service Framingham's current and future monthly Community Development Block Rehabilitation loan payments at no cost. The bank's collaboration with the Town on this complex process would help save considerable cost and effort, which in turn allows the Town to reinvest the saved funds back into the program. The express purpose of this program is to provide diverse and affordable housing to low- and moderate-income individuals and households.
- MutualOne Bank voluntarily participates in the Massachusetts Community Banking Council's (MCBC) Basic Banking Program. In order to qualify, the bank provides low-cost checking and savings accounts that benefit low- and moderate-income individuals.
- The bank participates in the Interest on Lawyers' Trust Accounts (IOLTA). Interest earned on the account is utilized to help fund improvements in the administration of justice and delivery of legal services to low-income clients.

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

No violations of the substantive provisions of anti-discrimination laws and regulations, or other illegal credit practices, were identified.

APPENDIX A

Division of Banks

Fair Lending Policies and Procedures

The Division of Banks provides comments regarding the institution's fair lending policies and procedures pursuant to Regulatory Bulletin 1.3-106.

Based on a review of the bank's public comment file and its performance relative to fair lending policies and practices, examiners did not identify any violations of the anti-discrimination laws and regulations. The bank's loan policy prohibits discrimination in accordance with the Equal Credit Opportunity Act (ECOA) and the Fair Housing Act (FHA). Also included in the bank's loan policy are procedures for the second review process of denied loan applications.

Minority Application Flow

Examiners reviewed the bank's HMDA LARs for 2013 and 2014 to determine if the application flow from different minority groups within the AA was reflective of AA demographics.

The bank's residential lending in 2013 was compared to 2013 aggregate lending data. The comparison of this data assists in deriving reasonable expectations for the rate of applications the bank received from minority residential loan applicants. Refer to the table below for information on the bank's minority application flow as well as a comparison to aggregate lending data within the bank's AA.

Minority Application Flow					
RACE	Bank 2013		2013 Aggregate Data	Bank 2014	
	#	%		#	%
American Indian/ Alaska Native	0	0.0	0.1	1	0.3
Asian	7	2.5	7.2	11	3.7
Black/ African American	3	1.1	1.1	4	1.4
Hawaiian/Pacific Islander	0	0.0	0.1	0	0.0
2 or more Minority Races	0	0.0	0.1	0	0.0
Joint Race (White/Minority)	7	2.5	1.4	6	2.0
Total Minority	17	6.1	10.0	22	7.4
White	182	65.5	66.9	199	67.0
Race Not Available	79	28.4	23.1	76	25.6
Total	278	100.0	100.0	297	100.0
ETHNICITY					
Hispanic or Latino	9	3.2	2.8	7	2.4
Not Hispanic or Latino	160	57.6	73.0	171	57.6
Joint (Hisp/Lat /Not Hisp/Lat)	1	0.4	1.2	4	1.3
Ethnicity Not Available	108	38.8	23.0	115	38.7
Total	278	100.0	100.0	297	100.0

Source: U.S. Census 2010, HMDA LAR Data 2013 and 2014, HMDA Aggregate Data 2013

According to the 2010 U.S. Census data, the bank's assessment area had a population of 194,655, of which 22.9 percent are minorities. The assessment area's minority population consists of 0.1 percent American Indian, 6.1 percent Asian/Pacific Islander, 3.0 percent Black/African American, 8.1 percent Hispanic, and 5.6 percent other race.

In 2013, the bank received 278 HMDA reportable loan applications within its AA. Of these applications, 6.1 percent were received from racial minority applicants. The bank's application flow was below the aggregate's performance of 10.0 percent of applications received from minorities. In 2013, the bank received 9 applications representing 3.2 percent of applications from the Hispanic or Latino ethnic group. The bank's application flow from this ethnicity category was above the aggregate's performance of 2.8 percent.

In 2014, the bank slightly in terms of applications from Hispanic applicants (2.4 percent), but increased its applications to minorities by race (7.4 percent). It should be noted that in 2013, 28.4 percent of applicants did not provide information on their race, and in 2014, 25.6 percent of applicants did not provide information on their race. Overall, considering the demographic composition of the assessment area and comparisons to aggregate data, the bank's minority application flow is reasonable.

APPENDIX B

GLOSSARY

Aggregate Lending: The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

Area Median Income: The median family income for the MSA, if a person or geography is located in an MSA; or the statewide non-metropolitan median family income, if a person or geography is located outside an MSA.

Assessment Area: A geographic area delineated by the bank under the requirements of the Community Reinvestment Act.

Census Tract: A small, relatively permanent statistical subdivision of a county. Census tract boundaries normally follow visible features, but they may follow governmental unit boundaries and other non-visible features in some instances. They always nest within counties. Census tracts average about 4,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogenous for population characteristics, economic status, and living conditions to allow for statistical comparisons.

Combined Statistical Area (CSA): A combination of several adjacent metropolitan statistical areas or micropolitan statistical areas or a mix of the two, which are linked by economic ties.

Community Development: For loans, investments, and services to qualify as community development activities, their primary purpose must:

- (1) Support affordable housing for low- and moderate-income individuals;
- (2) Target community services toward low- and moderate-income individuals;
- (3) Promote economic development by financing small businesses or farms; or
- (4) Provide activities that revitalize or stabilize low- and moderate-income geographies, designated disaster areas, or distressed or underserved non-metropolitan middle-income geographies; or
- (5) Enable or facilitate projects or activities that address needs regarding foreclosed or abandoned residential properties in designated target areas.

Community Development Corporation (CDC): A CDC allows banks and holding companies to make equity type of investments in community development projects. Bank CDCs can develop innovative debt instruments or provide near-equity investments tailored to the development needs of the community. Bank CDCs are also tailored to their financial and marketing needs. A CDC may purchase, own, rehabilitate, construct, manage, and sell real property. Also, it may make equity or debt investments in development projects and in local businesses. The CDC activities are expected to directly benefit low- and moderate-income groups, and the investment dollars should not represent an undue risk on the banking organization.

Community Development Financial Institutions (CDFIs): CDFIs are private intermediaries (either for profit or nonprofit) with community development as their primary mission. A CDFI facilitates the flow of lending and investment capital into distressed communities and to individuals who have been unable to take advantage of the services offered by traditional financial institutions. Some basic types of CDFIs include community development banks, community development loan funds, community development credit unions, micro enterprise funds, and community development venture capital funds.

A certified CDFI must meet eligibility requirements. These requirements include the following:

- Having a primary mission of promoting community development;
- Serving an investment area or target population;
- Providing development services;
- Maintaining accountability to residents of its investment area or targeted population through representation on its governing board of directors, or by other means;
- Not constituting an agency or instrumentality of the United States, of any state or political subdivision of a state.

Community Development Loan: A loan that

- (1) Has as its primary purpose community development; and
- (2) Except in the case of a wholesale or limited purpose bank:
 - (i) Has not been reported or collected by the bank or an affiliate for consideration in the bank's assessment area as a home mortgage, small business, small farm, or consumer loan, unless it is a multifamily dwelling loan (as described in Appendix A to Part 203 of this title); and
 - (ii) Benefits the bank's assessment area(s) or a broader statewide or regional area including the bank's assessment area(s).

Community Development Service: A service that

- (1) Has as its primary purpose community development;
- (2) Is related to the provision of financial services; and
- (3) Has not been considered in the evaluation of the bank's retail banking services under § 345.24(d).

Consumer Loan(s): A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

Distressed Middle-Income Nonmetropolitan Geographies: A nonmetropolitan middle-income geography will be designated as distressed if it is in a county that meets one or more of the following triggers:

- (1) an unemployment rate of at least 1.5 times the national average;
- (2) a poverty rate of 20 percent or more; or,

(3) a population loss of 10 percent or more between the previous and most recent decennial census or a net migration loss of 5 percent or more over the 5-year period preceding the most recent census.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family. Other family is further classified into “male householder” (a family with a male householder and no wife present) or “female householder” (a family with a female householder and no husband present).

Family Income: Includes the income of all members of a family that are age 15 and older.

FFIEC-Estimated Income Data: The Federal Financial Institutions Examination Council (FFIEC) issues annual estimates which update median family income from the metropolitan and non-metropolitan areas. The FFIEC uses American Community Survey data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

Full-Scope Review: Performance under the applicable tests is analyzed considering performance context, quantitative factors (geographic loan distribution, borrower profile loan distribution, and total number and dollar amount of investments), and qualitative factors (innovativeness, complexity, and responsiveness).

Geography: A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (HMDA): The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants; the amount of loan requested; and the disposition of the application (approved, denied, and withdrawn).

Home Mortgage Disclosure Loan Application Register (HMDA LAR): The HMDA LARs record all applications received for residential purchase, refinance, home improvement, and temporary-to-permanent construction loans.

Home Mortgage Loans: Includes home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multi-family (five or more families) dwelling loans, loans to purchase manufactured homes, and refinancings of home improvement and home purchase loans.

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Household Income: Includes the income of the householder and all other persons that are age 15 and older in the household, whether related to the householder or not. Because many households are only one person, median household income is usually less than median family income.

Housing Unit: Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

Limited-Scope Review: Performance under the applicable tests is analyzed using only quantitative factors (for example, geographic loan distribution, borrower profile loan distribution, total number and dollar amount of investments, and branch distribution).

Low-Income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent in the case of a geography.

Low Income Housing Tax Credit: The Low-Income Housing Tax Credit Program is a housing program contained within the Internal Revenue Code of 1986, as amended. It is administered by the U.S. Department of the Treasury and the Internal Revenue Service. The U.S. Treasury Department distributes low-income housing tax credits to housing credit agencies through the Internal Revenue Service. The housing agencies allocate tax credits on a competitive basis.

Developers who acquire, rehabilitate, or construct low-income rental housing may keep their tax credits. Or, they may sell them to corporations or investor groups, who, as owners of these properties, will be able to reduce their own federal tax payments. The credit can be claimed annually for ten consecutive years. For a project to be eligible, the developer must set aside a specific percentage of units for occupancy by low-income residents. The set-aside requirement remains throughout the compliance period, usually 30 years.

Market Share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

Median Income: The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

Metropolitan Division (MD): A county or group of counties within a CBSA that contain(s) an urbanized area with a population of at least 2.5 million. A MD is one or more main/secondary counties representing an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

Metropolitan Statistical Area (MSA): CBSA associated with at least one urbanized area having a population of at least 50,000. The MSA comprises the central county or counties or equivalent entities containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

Micropolitan Statistical Area: CBSA associated with at least one urbanized area having a population of at least 10,000, but less than 50,000.

Middle-Income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 and less than 120 percent in the case of a geography.

Moderate-Income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 and less than 80 percent in the case of a geography.

Multi-family: Refers to a residential structure that contains five or more units.

Non-metropolitan Area: All areas outside of metropolitan areas. The definition of non-metropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies. For example, there is generally urban and rural territory within metropolitan and non-metropolitan areas.

Owner-Occupied Units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

Qualified Investment: A lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Rated area: A rated area is a state or multistate metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multistate metropolitan area, the institution will receive a rating for the multistate metropolitan area.

Rural Area: Territories, populations, and housing units that are not classified as urban.

Small Business Investment Company (SBIC): SBICs are privately-owned investment companies which are licensed and regulated by the Small Business Administration (SBA). SBICs provide long-term loans and/or venture capital to small firms. Because money for venture or risk investments is difficult for small firms to obtain, SBA provides assistance to SBICs to stimulate and supplement the flow of private equity and long-term loan funds to small companies. Venture capitalists participate in the SBIC program to supplement their own private capital with funds borrowed at favorable rates through SBA's guarantee of SBIC debentures. These SBIC debentures are then sold to private investors. An SBIC's success is linked to the growth and profitability of the companies that it finances. Therefore, some SBICs primarily assist businesses with significant growth potential, such as new firms in innovative industries. SBICs finance small firms by providing straight loans and/or equity-type investments. This kind of financing gives them partial ownership of those businesses and the possibility of sharing in the companies' profits as they grow and prosper.

Small Business Loan: A loan included in “loans to small businesses” as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

Small Farm Loan: A loan included in “loans to small farms” as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

Underserved middle-income nonmetropolitan geographies: A nonmetropolitan middle-income geography will be designated as underserved if it meets criteria for

- Population size, density, and dispersion indicating the area’s population is sufficiently small, thin, and
- Distant from a population center that the tract is likely to have difficulty financing the fixed costs of meeting essential community needs.

Upper-Income: Individual income that is more than 120 percent of the area median income, or a median family income that is more than 120 percent in the case of a geography.

Urban Area: All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, “urban” consists of territory, persons, and housing units in places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin).

“Urban” excludes the rural portions of “extended cities”; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations, and Part 345 of the Federal Deposit Insurance Corporation's Rules and Regulations, require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at (Address at main office)."

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Federal Deposit Insurance Corporation, at (Address at main office)."

[Please Note: If the institution has more than one assessment area, each office (other than off-premises electronic deposit facilities) in that community shall also include the address of the designated office for that assessment area.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agencies, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.